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21 September 1979

Japan Report

(FOUO 27/79)



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POLITICAL AND SOCIOLOGICAL

AKAHATA' CRITICIZES OHIRA'S STANCE IN DIET SESSION

Tokyo JPS in English 6 Sep 79 OW

[Text] Tokyo, 6 Sep JPS--Prime Minister Masayoshi Ohira took a defiant stance in answering representatives' questioning on September 5 in the House of Representatives.

AKAHATA reported this in its September 6 issue. AKAHATA said:

Prime Minister Ohira took a domineeringly defiant stance throughout on all the questioning, including the aircraft import graft, tax increases, and the energy problem, including the kerosene price hike, taking a challenging position against the people. Thus the toughest anti-people nature of the Ohira government was brought to the light. After the party representatives' questioning on September 6 and 7, Prime Minister Ohira is going to dissolve the Diet on a solely selfish cause, without any deliberations about the Ohira administration. The responsibility of some opposition parties, lending hands to this administration, must be also questioned severely.

On this day, Shoichi Shimodaira (Socialist), Haruo Kino (Liberal-Democrat), and Hiroshi Nishimiya (Socialist) took the floor for the questioning, asking the government's views on the political stance, steps to curb the inflationary prices, the reconstruction of the national finance, and energy.

On the kerosene price, which the people are now suffering from the abnormal rise, and worrying about its price fluctuation from this autumn to the winter, the prime minister said that "the government will not intervene in the oil price," and that "if there is no abnormal buying, the price will settle down by itself," taking a laissez-faire policy on the price rise. As for Minister of International Trade and Industry Masumi Esaki, he even came out to say on the price of kerosene, which is rising over 1,000 yen per 18 litres that it is not limited to particular sections in Japan, that "this is not exorbitant."

On the aircraft import graft, Prime Minister Ohira cited the judiciary authorities' investigation report saying that "Ex-Prime Minister Nobusuke

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Kishi is cleared of the suspicion, and ex-Defense Agency Director General Raizo Matsuno is not exposed to the charge of perjury," and refused to carry on the Diet investigation on them. Prime Minister Ohira, at the same time, took an unfair attitude of denying the Diet's independent investigation into the truth of the aircraft import graft, on the strength of the Diet's right to investigate the national administration, by saying that "if the Diet wants to carry on the inquiry, it should make a wise decision deriving from this fact (the judiciary authorities' judgment)." Ohira said, "It is a groundless slander to say that the government and the Liberal Democratic Party are reluctant from investigating the aircraft import scandal," and he turned defiant and said, "I will give it right back at you the groundless slander that the dissolution of the Diet is being speeded up" to conceal the scandal.

On the question of the reconstruction of the national finance, Prime Minister Ohira kept silent on the machination of giving preferential treatments to big business, and defiantly said, "On rectifying the unequal taxation system, the government is giving efforts every fiscal year." But he said openly of the coercive tax increases on the people, saying "we must ask the people to share new burdens." On the general consumer tax, Ohira said that he is not going to "insist" on it to gloss over the issue, but he implied intention to rush tax increase at one full swoop, the introduction of the general consumer tax, by saying, "a concrete answer will be given in the budget for fiscal 1980."

On the foreign affairs and the security issue, Prime Minister Ohira said, "We should not take lightly of the military strength," indicating the reinforcement of the self-defense forces by employing the world "military strength." and by laying stress on the "faithful and efficient application of the Japan-U.S. security treaty," he indicated that the government has an intention to strengthen the Japan-U.S. military alliance setup.

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POLITICAL AND SOCIOLOGICAL

GROWING INFLUENCE OF SDF UNIFORMED PERSONNEL CAUSE FOR CONCERN

Tokyo SEKAI in Japanese Aug 79 pp 201-204

[Excerpt] Recently the active role being assumed by the uniformed executives of the Defense Agency has become conspicuous. For example, the chief of staff of the Ground Forces, Shigeto Nagano, made a statement regarding review of the "General Principles for Defense Planning" and the chief of staff of the Air Self Defense Force, Goro Takeda, announced joint Japanese-United States training exercises oriented towards United States aircraft carriers and B 52's. In the old days a statement such as Chief of Staff Nagano's would certainly have been a "problem statement" of the kind which brings debate in the Diet to a halt. Nevertheless, the statement was saved by the questioning going on at the time involving suspicions about aircraft import and ended up not being criticized that strongly. Furthermore, exchanges between uniformed personnel and military leaders of various countries have gradually been becoming more active.

In the midst of changes at home and abroad, uniformed personnel who previously had been shut out of the defense debate seem to have established a platform for speaking out as military technocrats and to have firmly taken a stand of participating directly in the debate. This trend seems to be particularly marked since the removal last year of former Chairman Kirisu of the Joint Staff Council.

As far as the background for this assumption of an active role by uniformed personnel is concerned, the very first things which can be mentioned are the great changes in the international situation and the military situation surrounding Japan. The build-up of the Soviet Far Eastern Forces, particularly the deployment of ground troops and building of bases on Kunashiri and Etorofu Islands, and the Sino-Vietnamese war caused the Self Defense Forces greater feelings of danger than we would imagine. Furthermore, the Self Defense Agency has skillfully tried to make use of these changes in the situation.

Secondly, in response to these changes in the situation, there is a drift to the right in public opinion on defense issues. It caused the reformist camp a great deal of consternation when China, the prime hypothetical enemy under the Japan-United States Security Treaty, approved of the Security Treaty at the time of the conclusion of the Sino-Japanese Treaty of Peace

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and Amity. The Komei Party changed directions on security and the Self Defense Force; the DSF has already established a dialog between party executives and executives of the SDF. In the meantime, in a public opinion poll conducted earlier by the Prime Minister's Office, the percentage of support for the SDF reached an all time high of 86 percent. Although the nature of this support needs to be analyzed, for practical purposes it shows that the existence of the SDF has become firmly established. Within the SDF one can hear bullish statements that "common sense has finally prevailed."

Thirdly, a phenomenon which is noteworthy is the fact that the internal departments within the Self Defense Agency have been growing. Former Chairman Kirisu of the Joint Staff Council was removed from office after having made a statement that "in a national emergency, under the current legal system actions by the SDF to deal with the emergency would have to go beyond the laws and regulations." Within the SDF there is still deep-seated dissatisfaction over this and a feeling that "as a person in the first line of defense Kirisu only stated the obvious." One cannot overlook the fact that the existence of this dissatisfaction has made the internal bureaus of the Self Defense Agency take a conciliatory approach toward the uniformed personnel.

The statement on revision of the General Principles for defense by Ground Self Defense Force Nagano was made at the defense round table which is held by executives of the defense industries. After giving a detailed explanation of the Soviet military buildup and the accompanying changes in the United States-Soviet military balance, Chief of Staff Nagano said, "The international situation surrounding Japan has been changing conspicuously from what it was in 1976 when the General Principles on Defense Planning were set; gradually we will have to direct our attention to review of the General Principles." Thus, as a member of the uniformed services he openly stated to outsiders his desire for revision of the General Principles. This statement was quickly taken up in the Budget Committee of the House of Representatives and was turned into a question "touching on the principle of civilian control of the military." This became such an issue because the General Principles are, after all, Japan's basic policy on national defense and the statement came just when Director General Yamashita was repeatedly making a cautious response to questions in the Diet by saying, "There are very harsh aspects to the situation around Japan, but I do not think the situation is such that it is necessary to change the perceptions in the General Principles." One could probably appreciate the seriousness of the issue from seeing a certain executive of a department within the Defense Agency who, when he had heard the statement, held his head and said, "It is a repeat of the Kurisu statement."

Nevertheless, Director General Yamashita and Director Hara of the Defense Bureau in their response to questions in the Diet got out of the situation with the strange reasoning that "the Ground Forces chief of staff spoke of directing attention to (revision of the General Principles) but he did not say that the General Principles should be revised right away." Seriously

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intent upon restoring quiet, Director Hara of the Defense Bureau said, "I customarily discuss matters with the chief of staff, and he has never said that the General Principles should be changed. I will defend him in the Diet; that is only natural."

Nevertheless, those who know the feelings of the people in uniform toward the general outlines do not see this statement by Nagano as a slip of the tongue in this single instance. The overwhelming majority of these people see the statement as a meticulously prepared, deliberate statement of true feelings in which consideration was given to time and place. Ground Self Defense Force Chief of Staff Nagano is an old soldier who served in Central China after having come up through the Hiroshima Military Preparatory School and Class 55 of the Military Academy; he is known by his unusually political nature for a military man and his stubborn character. He is the most capable person in the three Self Defense Forces and simply because it is he that made the statement, speculation of all kinds about its real intent was flying. In reference to the statement, a certain lieutenant general among his subordinates said, "The people in uniform are unanimously critical of the thinking on basic defense preparations, which is at the heart of the general principles. Mr Nagano was probably acting as a representative in raising the question of whether Japan's defenses are all right as they stand when the Soviet Union is building bases in our Northern Territories. I think Nagano overstepped his bounds in full knowledge of all of this."

At this point it is necessary to give some explanation of the General Principles for Defense Planning and the basic concept of defense preparations.

In 1976 the government switched from the Defense Preparedness Plans which had progressed through four versions since 1958 and set up the General Principles as guidelines for future preparedness planning. The General Principles were put together by the then Director General of the Defense Agency Sakada and Deputy Director General Kubo and were decided upon by the National Defense Council and the Cabinet on 29 October 1976. Along with this, the policy was officially established that the total amount of defense related expenses in a single year in the future would not exceed 1 percent of the GNP. In short, it was decided that in "peacetime" when the general shape of the international situation as it stood in 1976 did not change conspicuously, the scale of defense preparations would be limited to levels reached in the Fourth Defense Plan and efforts to upgrade quality would be made within those limits. At the bottom of this thinking was the idea that by increasing Japan's military strength in response to the unending expansion of military preparations on the part of other countries, the limits of an exclusively defensive posture would only give rise to alarm among the Asian countries that Japan is again a military power. Therefore, the guidelines call for harmonizing defense with other national policies in the light of the fiscal situation and other such considerations. This is called the concept of basic defense preparations. The one party rule by the LDP at that time was beginning gradually to be overshadowed, and the multiparty era was being ushered in. The "General

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Principles" which are based upon the concept described above were established out of political considerations on the tacit precondition that they would be acceptable to other middle-of-the-road parties not in the government. Even now, Mr (KOH) Maruyama, who served as deputy director under Director General Sakada, gives this assessment of the matter, "I think that it had transitional significance as a process in that situation."

It may be said that in the political sense, the General Principles were based upon a certain perception of things; among the people in uniform, however, they were generally disliked. Since this was national policy there was, of course, no open criticism. Behind the scenes, however, one could hear strong criticism such as this, "Defense capability is relative to what the other side has; setting an absolute upper limit on Japan alone is militarily to tie Japan's hands" (a commander on the Maritime SDF Staff who graduated from the Defense Academy) or "National defense should be flexible to respond to the situation at the time; it is strange to apply absolute fiscal limits to defense" (a lieutenant colonel on the Air SDF Staff).

The dissatisfaction is particularly strong regarding the limitation that defense expenditures will be within 1 percent of the GNP. Earlier, when Chairman Takashina of the Joint Staff Council visited the United States and consulted with Chairman Jones of the Joint Chiefs of Staff and others, soon after Chairman Takashina returned to Japan a story circulated within the Defense Agency to the effect that the United States side had said "We understand Japan's 1 percent policy, but when will expenditures reach 1 percent (they were 0.9 percent in 1979) and to what percentage will they rise in the future?" Since the uniformed services have these feelings about the General Principles, there will be a curiously convincing quality to the view that Chief of Staff Nagano's statement involved farsighted intent to touch off review of the circumstances surrounding the General Principles and to create an atmosphere which will break down the basic concept itself.

Air SDF Chief of Staff Takeda's remark on joint Japanese-American exercises may be said to have the same kind of significance as Nagano's statement in that it expressed his true sentiments in light of his wishes for the SDF. At a press conference on 1 Jun Air SDF Chief of Staff Takeda publicly said, "The Air SDF Staff wants to carry out joint training exercises with the strategic B 52 bombers deployed on Guam and the aircraft carrier Midway as the hypothetical enemy."

It is said that the weakness of the SDF at this time is that their level of training is held back by a lack of effective training exercises. Nike and Hawk units are making special trips to the United States for live fire training because they have no firing range and since the (SHIZUKUISHI) accident only a patchwork of flight zones woven through the commercial flight routes have been allowed for flight training areas for fighter aircraft. For the air and ground SDF particularly, improvement of the training environment is nearly a crying need.

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Except in the case of the ground forces, joint Japanese-American training exercises are already being carried out in individual instances. Such exercises were incorporated into the United States Japanese Defense Guidelines which were formulated in the autumn of last year, and joint Japanese-American studies as to what kind of exercises to carry on in the future are now in full swing.

It gives one a start to hear the B 52's mentioned in Air SDF Chief of Staff Takeda's statement, but the intention of using the B 52's is said to be electronic warfare (ECM). Modern warfare has been made into a contest of electronic weaponry, and since the Japanese side by itself is not capable of training in jamming and so forth against the large B 52 aircraft which are fully equipped with electronic devices, the Air SDF feels that it would like to have the exercises even if they anticipate the guidelines.

At the end of May this year in Hokkaido and Aomori prefectures combined exercises joining all three branches of the SDF were held for the first time in 4 years. Open voice was given to the idea of holding exercises with United States forces which would surpass the individual exercises held with the United States forces in the past and would involve the combined arms of both sides. The United States forces in particular were enthusiastic about the idea.

Furthermore, because of the visits to the United States and South Korea by executives of the uniformed services which have come one after another, stories of a Japanese-Korean-American joint defense system being put together are reported from South Korea. It is inevitable that in the future at least the training exercises between Japan and the United States will be substantive and on a large scale.

Incidentally, the matter of a change of generations within the uniformed services is also involved in the background of the top ranks of the service staffs taking a higher profile.

The executive ranks of the three services at this time are composed almost entirely of the war generation who come from the old army and navy. However, the postwar group who have graduated from the Defense Academy have advanced to the rank of colonel. In about 2 years they will be promoted to general officer ranks and the first generals from the Defense Academy will appear. Although there may be some executives from general universities in the meantime, it is probable that after a few years the leadership of the SDF will have shifted almost completely to graduates of the Defense Academy. So far, the executives from the old army had been anxiously watching the growth of the Defense Academy graduates. While the graduates of the Defense Academy do not have war experience, neither do they seem to have any distorted sense of a defeated, eclipsed Self Defense Force. A certain general from the Group SDF said, "The graduates of the Defense Academy have a strong sense of mission and loyalty and they are capable. For the present we want to handle our tasks so that we can pass on good traditions when we turn our posts over to them." However, there is uneasiness in one respect.

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The group from the old army took a hesitant line on defense because the SDF was under a cloud; it is possible that the graduates of the Defense Academy who have received a new education will spring up all of a sudden.

In connection with this matter the problem of the bureaucracy and the people in uniform cannot be ignored. The top ranks of the bureaucracy have up to now been almost all persons imported from other ministries and agencies. Even in the current regime Vice Director General Watari, Director Hara of the Defense Bureau come from MITI; Chief of the Director General's Secretariat Shioda is from the Ministry of Home Affairs; and Director Kurabe of the Equipment Bureau is from the Ministry of Foreign Affairs, and the officer in charge of education and training comes from the Police Agency. Although the Defense Academy graduates 400 people a year, only a few career people who have passed the high level civil service examination enter the agency. Because of this it has been pointed out that in the future it will be very difficult for the bureaucracy to control the uniformed personnel who have graduated from the Defense Academy as military technocrats. This is a serious matter because it is a question which involves civilian control of the military.

Already there have been cases, such as the case of the statement by Air SDF Chief of Staff Nagano, in which bureaucratic leadership which would preserve civilian control has not been exercised. It is only natural that a chief of staff in that position would make statements on questions of jurisdiction. However, in these matters the principle of civilian control of the military must be maintained. Some of the people in uniform are bringing forth demands, albeit unofficially, for strengthening the authority of the chairman of the Joint Staff Council and handing over authority over personnel matters for the various staffs. Former Chairman Kurisu of the Joint Staff Council caused a public furor by saying that "Chairman of the Joint Staff Council should be a prime minister's appointment by Imperial Attestation." On the other hand, mistrust of politics was increased because of the suspicious involving the aircraft. It can probably be said that there is no way to preserve civilian control over the military other than for those of what to do about national security.

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ECONOMIC

EXPERTS CLAIM JAPAN WILL SURVIVE TRADE WAR

Tokyo SHUKAN ASAHI in Japanese 6 Jul 79 pp 167-171

[Panel discussion chaired by Keitaro Hasegawa. Discussants, Mr A., a high-ranking bureaucrat in the MITI; Mr B., a member in charge of export in a major automobile manufacturer; Mr C., a member in charge of planning at a major electric equipment manufacturer]

[Excerpt] Part III

The trade war problem is like a burr stuck in the throat for Japan, which depends on trade to feed a population of 110 million. At the recently held Tokyo summit, the problem appeared to have been overshadowed by the imminent energy crisis. Nonetheless, it remains a severe problem tied to Japan's very survival. What is the fate of Japan with its "rabbit hutches?"

Japan does not necessarily enjoy trade surpluses against all the nations of the world. It bears an enormous deficit vis-a-vis the oil-producing and resources-producing nations. Lacking its own resources, Japan must earn foreign currency to import them and to feed its 110 million people. Also, it is not imperative that every nation balance its trade within the framework of global economic development. On the contrary, if every nation were to adopt such a policy, the world economy would probably suffocate.

On the other hand, in order for Japan to survive during the 1980's, it has no choice but to face squarely the problem of dealing with a trade war with a considerably broad scope of nations, including advanced nations.

It should be pointed out that the problem of a trade war has some extremely delicate aspects. First, since it involves business transactions, there are inevitable confrontations between the buyer and seller, and words cannot be exchanged detached from business interests. The more knowledgeable the involved parties are concerning real conditions, the more jealous they become concerning their respective positions. Secondly, the interests and "face-saving" on the part of officialdom always come to the fore. In Japan,

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where the tradition of putting "the government above the people" still persists, it is extremely difficult to persuade the people who dare not "fight city hall" to reveal their own inner feelings. Therefore, the following discussion was conducted by the participants, who remained anonymous.

Japanese Products Also Lead in Energy Conservation

(Moderator) While the problem of the trade war appears to have been overshadowed by the increasing energy crisis, I wonder if there is a connection between the two.

(A) Naturally...because the quickest solution to energy conservation is to buy Japan-made goods.

(B) Look at the car sales. Americans would be upset if they could not buy Japanese cars. Being unable to buy more than 5 gallons of gas at a time, they must get as many miles per gallon as possible. As long as the oil crisis continues, import restrictions on cars cannot be too severe.

(C) In Europe and America, the consumer himself must wrack his brains regarding energy conservation. In Japan, one can automatically conserve energy by buying new cars and household appliances sold by the manufacturers (laughter). The consumer is king. It shows how much effort the manufacturers are putting in towards energy conservation.

(Moderator) For instance?

(C) In the case of freezer/refrigerators of the standard 200-liter model, the monthly electricity consumption has decreased during the past 5 years from 100 kw/hour to 35 kw/hour. It is the same with color TV sets.

(A) Taking steel as an example, the past 5 years have shown a 40-percent energy saving. With the oil prices up, the makers are going all out to consume as little oil as possible.

(Moderator) You recommend the use of Japanese products to save energy. Couldn't the same apply to products of other countries?

(C) Of course every country is trying to conserve energy. However, Japan is making much greater progress. Statistics show that, compared to the United States and Europe, Japan's conservation rate is twice as high. Realistically, it could be said to be five or six times as high.

(Moderator) That would mean a stronger competitive capability.

(A) NEWSWEEK magazine recently published a special issue pointing out that U.S. technological development was greatly lagging behind. The reason could only be ascribed to the fact that, compared to Japan regarding energy conservation, American manufacturers are not really trying hard to develop new products.

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(B) While the Japanese continue to be industrious, the Americans and Europeans have become lazy. The industrious ones will naturally win in the competitive markets. It is the natural law of victory versus defeat.

(Moderator) There is a story about the ant and the cicada in Aesop's Fables. The ant, which works diligently during the summer, does not want for food in the winter. The cicada, which idles away the summer, dies from starvation. That is the original story. However, when it is translated in Japan, it is revised to show that the ant shares his food with the cicada. In the present world, the original story is not acceptable and the revised version is upheld. Therein lies the cause for the trade war, in my opinion.

(C) That is true. Regarding color TV sets, Japan does not try to exert her full competitive capability. The number of sets exported to the United States is voluntarily restricted to 1.75 million sets per year. However, the consumer cannot be prevented from purchasing high quality Japanese products. The United States knows well that controls cannot be carried out that far, since free enterprise is their motto.

(A) As for steel, the United States began the trigger price system (See Note 1) in February last year. The system was thus set up to shift rising domestic costs to the sales price. The profits of the steel companies immediately rose by 770 percent. Since the national average of profit increase was 17 percent, the profit increase rate for steel was conspicuous. The trigger price system was a huge success. Nevertheless, no rationalization of facilities and equipment is going on. The attitude of easy profit is abundantly clear.

(Moderator) One might say the best way to easy profit is protectionism. This makes it difficult for the consumers. Aren't they complaining?

(A) Surprisingly enough, the Americans feel that the price of a commodity includes cost plus profit and, if the price of steel goes up, they just add it on to the price of the product. The result is that the ultimate consumer pays the price in the form of inflation. The organized workers have an inflationary clause (See Note 2) and their wages automatically increase by the amount of inflationary costs, so they do not complain. The most serious victims are the farmers. They somehow manage to make ends meet because of their farm products support pricing system (See Note 3), but they are not as well off as the organized workers, since they are self-employed, and they end up with a loss. So the farmers are the strongest advocates of free enterprise. It is the opposite from Japan.

(C) Japan makes a profit from the trigger price system, because export prices have gone up. A look at the February balance sheet will show that steel and iron manufacturers have made money. I believe that Japanese iron and steel companies are also fond of the trigger price system (laughter).

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(A) I don't deny that, since I am a member of the industry (laughter). However, the Japanese steel companies made money through their rationalization efforts. The cutdown of costs was a major reason for the profit increase. It is true that export prices rose because of the trigger price system, but domestic prices have not risen at all, and exports to the United States constitute only 16 to 17 percent of the total.

Future Japan-U.S. Trade War To Center on Computers

(Moderator) Looking towards the 1980's, will the trade war involving Japan disappear?

(A) Regarding steel, as long as the trigger price system continues, there will be no major problem. There will be coexistence and coprosperity.

(C) I don't foresee any major problem. In the case of finished products such as color TV sets, the Japanese companies have set up assembly plants in the United States and have begun local production, so the United States has no cause for complaint. The local production volume has already exceeded exports from Japan. However, controversy may still arise concerning parts.

(Moderator) What about a semiconductor trade war?

(C) Not only semiconductors, but I think the future will bring trouble concerning computers. Since the outlook is for further development of Japanese technology and a rapid rise of computer exports to the United States, a trade war apart from that of home appliances is inevitable.

(Moderator) In the United States the home appliance industry is viewed as being on the decline, but computers and semiconductors are regarded as important from the standpoint of national defense. Since they constitute the so-called "life line" of America, it is possible that severe friction will arise between the United States and Japan.

(A) That is certainly conceivable, but I wonder how much inroad Japan can make into the United States, which is largely controlled by the powerful IBM. As for semiconductors, I understand that the manufacturers who complain are actually importing large amounts of semiconductors from Japan. Then, why do they complain? Their true intentions are absolutely unclear.

(Moderator) What about cars? The MITI is encouraging setting up plants in the United States similar to those for household appliances, but the Japanese manufacturers are not too enthusiastic. On the contrary, the United States continues to enter the Japanese market, as seen for example in the joint venture between Ford and Toyo Kogyo.

(B) In the case of cars, unlike household appliances, there is a tremendous gap in scale between the Big Three of the United States and Japanese makers. Although at present Japan has the edge in technology for light and small

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cars, the United States is capable of reversing the trend in the 1980's. It is naive to think Japan will continue to hold the edge. Because of this outlook, we cannot afford to move aggressively into the United States. We can only act passively.

Increase in Exports to Japan

(Moderator) The United States has changed its tactics in the trade war with Japan. The policy of restricting Japanese exports of color TV sets and steel has been changed towards forcing the Japanese market to open up. I think it indicates a switch in the trade policy of the Carter administration. Since Strauss has stood in the vanguard of negotiations with Japan, an open door policy was demanded, first for farm products and secondly vis-a-vis the KDD (International Telegraph and Telephone Corporation). I believe this change in strategy towards Japan is putting severe pressure on Japan.

(A) It is the so-called "foreign pressure." The bureaucrats are by nature obsessed with the idea of earning foreign currency necessary for the import of resources while increasing exports and protecting domestic industries. Seen from the industries' side, the protectionist policy makes them comfortable. Even while they grow stronger, they would rather keep the door closed as much as possible.

(B) Needless to say, the industries objected strenuously during the liberalization of trade and the liberalization of capital. Although nothing of serious consequence developed, the bureaucrats acceded to industry in order to soften their objections, and told them in effect that "well, the intention is liberalization, but in reality we will keep them from coming in." (laughter) They thus led them into sabotaging the liberalization policy set forth by high government officials.

As long as the United States and Europe made no serious efforts to export to Japan, there were no real problems. Only a few enterprises with serious intentions regarding exports to Japan became aware of "the agreement on general principles, but objection regarding particulars," while the government remained totally unaware. Once they began to consider seriously the fact that, since Japan has developed into a major market and exports to Japan must be increased in order to cancel out their trade deficit with Japan, they realized that Japan was a market where they could not sell even if they wished to. The market was just a painted fantasy. This develops into a major political issue. A great hubbub is created and the government officials make concessions.

(A) That is the truth. The bureaucrats act only after a great commotion is made. That is the inherent nature of the bureaucrats (laughter). It is not peculiar to Japan. A long time ago, I read in a book that a German named Herr Verich (phonetic), who was finance minister during World War I, wrote as follows: "I called in an official to question him about a matter which he turned down, although it seemed to everyone as meriting approval.

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His reply was that his practice was to initially turn down all new cases. If it was really necessary, it would be resubmitted. He would then consider it carefully. This is the bureaucratic way of doing things."

Herr Verich had been the president of a commercial bank before he entered politics and he was untrained in the ways of the bureaucrats, so he must have been surprised. It is similar to the situation in Japan today.

(C) It does ring a bell (laughter). Bureaucrats do react vehemently when their authority is challenged and their official power is ignored. If you take away their official power, there will be nothing left, so you cannot blame them (laughter). Cabinet ministers last barely a year, but bureaucrats last a lifetime. Even after retiring from office, they enter the business circles and must continue to earn a living. It is not unnatural for them to do their utmost to protect the interests of business.

(B) In the United States, one does not find the kind of bureaucrats one sees in Japan. With every presidential election, every elected official loses his job, down to the postmasters in the rural areas. There are specialists, but they are merely part of the staff and have no powers of decision. Decisions are made at the top and handed down to the lowest echelon without a hitch.

(A) In that sense, the KDD problem is a good example. Although the "window" may be opened, one cannot enter Japan through it. At best, it is like a painted layer of rice cake. One might as well paint three layers of rice cakes as two layers to make it look better. This is how Strauss has described it. It is beyond the comprehension of the Japanese. Or rather, it is understood and yet they ask, "Why must the Ministry of Post and Telecommunications be told what to do by the Foreign Ministry?" (laughter) The end result is that the prime minister must make the decision.

(Moderator) Do you mean to say the bureaucrats are the "source" of the trade war? Isn't that too harsh a judgment on the bureaucrats?

(C) The phenomenon is as I have described it, but a reverse technological gap lies behind it. The level of Japanese technology has surpassed that of the United States. No matter how hard they try, it has been successively proven that there are areas where they cannot compete with Japan.

However, Americans who believe in their own superiority do not care to recognize the facts. Americans in general cannot believe that the United States, which defeated Japan with the atomic bomb, is lagging behind Japan even regarding the computers. The Japanese can say that during the 33 years after the war, while the United States has been idle and napping, the Japanese have worked desperately...because they are winning (laughter). The Americans who are losing are unable to say that. They have their pride as the greatest nation in the world.

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(B) It is the same with the business people. They may praise us one-on-one, but the same people will cry "unfair competition" at a hearing. A difference between principle and true intention exists in every nation. It is a problem if that is true. Japan is always made the target of critical attacks. Can we continue this way?

(C) Actually, it doesn't amount to much. Those who buy Japanese products stand to gain by it. As long as the consumers consider it to their profit, imports cannot be suppressed despite such efforts. Besides, Japan is not the only nation which exports to the United States. Others are doing the same thing. What the United States is doing is watching the balance with the other nations. If they really wished to keep imports down, they should institute a trigger price system which would also benefit Japan. Actually, it was Europe which suffered from the system. Japan profited from it instead.

(A) Nonetheless, the farm products issue has been unconscionable. Something must be done, or we will be severely affected. If we are forced to eat rice costing five times the international rate, we will be compelled to live in "rabbit hutches." (laughter)

A Strong Japan Will Survive the Trade War

(Moderator) It is often pointed out that the United States and Europe criticize the import barriers in Japan, but make no effort to sell to Japan.

(B) Exactly. Their tendency is to make money the easy way. It is wrong for them to think that they can sell cars with steering wheels on the left side in a country which drives on the left side of the road. On asking questions we discover that, because of the clumsiness of their workers, they are unable to build cars with steering wheels on the right side in the same assembly lines that build those with left-side steering wheels. The workers get confused. They cannot use the same assembly lines for both types of cars, as we do in Japan. It probably indicates the skill of the Japanese.

(C) Their managers themselves don't really have any motivation. Since their top management is used to making money easily, the workers are also of the same frame of mind, so what can they do? The more you think about it, the more hopeless the situation is. The United States is declining. (laughter)

(Moderator) They want to make us pay for their laziness. No matter how hospitable an ant may be, it cannot afford to give all of its food to the lazy cicada.

(A) That cannot be done. First of all, such a thing may be mentioned, but it is not practicable. It is one thing if the United States is able to declare war against Japan, but that is impossible. They may remain somewhat dissatisfied, but they have no alternative except to compromise on certain terms.

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(B) There is much room for Japan to be criticized. It is questionable whether it is wise to raise the price of rice so high and spoil the farmers. It is not good that only the farmers remain snug and comfortable, while the industries strive so desperately towards rationalization.

(C) The same can be said about bureaucrats. Look at the Japan National Railway (JNR). They are complacent with the knowledge that no amount of deficits can put them out of business, so they have no concern for the users. The idea of being backed by the government is the creator of evil men. (laughter) One can only deduce that those in the private sector and those in the JNR are different kinds of people, although they are all Japanese. The difference is in the way of doing things. The United States today could be compared to the JNR and Japan to private industry. (laughter)

(Moderator) In conclusion, it may be said that Japan will survive the trade war. Since the Japanese are serious, they react sensitively to outside pressures. Japan as a whole is becoming increasingly rationalized and stronger. Japan will not be able to avoid a trade war in the 1980's. Still, it would probably not be too serious.

(C) The reason the Japanese work hard is because of the intense competition. If they were lazy, they would fall behind instantly. The enterprises would go bankrupt. They are afraid of this, so they cannot help working hard. In Japan, where 110 million people are crowded into a small territory, this cannot be helped. There is a drastic difference in the competition in the United States, where only twice as many people live in an area five times as large. The secret of Japan's strength lies in its success in linking the fiercely competitive life of its people to economic progress. It is necessary for the Japanese themselves to become more aware of these circumstances. It seems that the Japanese just keep running without being aware of their own strength.

(Moderator) That is very true. The Japanese did not know their own selves in the past. Now that they are becoming aware of their strengths, won't they keep on winning?

FOOTNOTES

1. The trigger price system was initiated in February of last year. When the import prices of steel became lower than the agreed trigger price for each item, the difference is automatically added on as import surcharge. In other words, the trigger price becomes the minimum import price for steel into the United States.
2. The inflationary clause is a clause which large unions, such as the Union of Auto Workers (UAW), have won within their wage contracts. It calls for escalation of wages in line with the consumer commodities price index.

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3. The U.S. Government uses the farm products support price system to determine minimum prices for wheat, corn and soybeans. Commodity financing firms may purchase unlimited amounts at these prices.

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ECONOMIC

MINISTRY WANTS TO REVIVE AIRCRAFT FINANCING SYSTEM

Tokyo MAINICHI DAILY NEWS in English 17 Aug 79 p 5

[Text] The Ministry of Transport has reportedly decided again to ask the Finance Ministry to revive the now-defunct special low-interest government bank financing system for purchasing foreign aircraft by Japanese airlines.

According to informed sources, the Transport Ministry is to seek a 60 billion yen "special account" appropriation in the fiscal 1980 national budget to resurrect the system discontinued at the end of fiscal 1975.

The special governmental financing system, under which the Export-Import Bank of Japan provides low-interest loans to airlines buying foreign airplanes, was first adopted in fiscal 1973 and maintained in the following three fiscal years. Utilizing this system, Japanese airlines imported 38 airplanes in the three-year period.

But the system has been discontinued since fiscal 1976 because domestic commercial bank rates declined sharply and the U.S. Export-Import Bank relaxed loan conditions for aircraft exports.

Last year, the Transport Ministry made its first request for revival of the system from the standpoint of promoting the business of the Japanese airline industry.

Although commercial bank rates remained low at that time, the system had been considered a decided financial help to Japanese airlines because easy new plane-buying loans were available under the system, regardless of their financial conditions.

But the Finance Ministry rejected last year's request on grounds that abundant low-interest loans were available domestically.

Japanese airlines thus had floated convertible bond issues or turned to the Ex-Im Bank of the U.S. for raising aircraft purchase funds.

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Despite this, the Transport Ministry decided to seek revival of the system again this year because domestic bank interest rates have gone up sharply in the wake of official discount rate hikes in April and June.

Besides, the U.S. governmental bank's lending rates have also climbed under Washington's new tight-money policy, with the rate for a 10-year loan rising to 8.25 percent, higher than the Japanese equivalent, and a great deal of funds is needed by Japan's three major airlines for their fiscal 1980 aircraft purchasing plans.

Japan Air Lines plans to buy 10 new planes, including DC-10s and Boeing 747s in the fiscal year, All Nippon Airways (ANA) four Boeing 748 SRs (super jumbos) and Toa Domestic Airlines (TDA) five DC-9 Super 80s.

The sources said the system's revival could arouse a new conflict for leadership in financing aircraft purchases between two governmental banks, the Export-Import Bank of Japan and the Japan Development Bank, both eyeing such financing to replace the sharply lower financing of the shipping and shipbuilding industries.

Whether aircraft purchase financing is "import financing" or "industrial development financing" is now a moot question, they added.

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ECONOMIC

HOKKAIDO LINKED TO NATIONAL POWER GRID

Tokyo MAINICHI DAILY NEWS in English 15 Aug 79 p 5

[Text] The nation's four major islands were finally interconnected electrically as the last power transmission cable linked Honshu and Hokkaido recently at a cost of 36,400 million yen and a time of about three years. The Honshu-Hokkaido power transmission system will go on test operation soon.

The completion of power interconnection offers fallback in power supply at times of emergency.

The total integration of national power grid had been hampered by the 20-kilometer wide Tsugaru Strait although the remaining three islands--Honshu, Shikoku, and Kyushu have aerial power transmission lines across the waters.

Due to isolation, Hokkaido Electric Power Co alone has been required to maintain about 20 percent power supply margin against peak demand to ensure stable power supply in the northern main island. The remaining eight power companies in Honshu, Shikoku, and Kyushu only need to have about 10 percent supply margins to cope with their peak load.

Moreover, the lack of power connection often proved to be uneconomical, especially when there was considerable rainfall on either side of the Tsugaru Strait. Usually hydropower plants are used to generate power to meet the base electric demand and to hold down overall generating costs.

However, the technical difficulties in spanning the 20 kilometer-wide strait with aerial power lines had been overwhelming in spite of the obvious advantages. The breakthrough came with transmission technology to convert alternating current (AC) into direct current (DC).

The new method allows power transmission through submarine cables. The 43-kilometer-long submarine cables are linked to aerial power lines on

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the land via two AC-DC converters installed at each end. The linkage method is so unusual that there is only one other such large-scale transmission line--the submarine cable which links Britain and France across the Straits of Dover.

The Honshu Hokkaido submarine cable has an initial transmission capacity of 150,000 kilowatts and will begin test transmission late this month to begin normal operation in December. The capacity is scheduled to be doubled next June, and is ultimately to reach 600,000 kilowatts.

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ECONOMIC

GOVERNMENT SUBSIDY PUTS LIFE INTO SHIPPING INDUSTRY

Tokyo MAINICHI DAILY NEWS in English 17 Aug 79 p 5

[Text] The nation's shipping companies are now rushing to build new ships, taking advantage of the government-sponsored interest-subsidy system, the Transport Ministry has reported.

The ministry has received a flood of applications for the interest-supplying method which was restarted in fiscal 1979 in an effort to relieve the chronically deficit-ridden business.

Some 1.5 million gross tons are expected to be constructed under the method as against the ministry's original estimation of 0.7 million gross tons.

The main factors behind the deluge of applications, the ministry believes, are the disappearance of a worldwide tendency toward surplus tonnage and rising freight costs.

The interest-subsidy system, designed to promote the construction of new ships, was devised in 1952 to strengthen the nation's shipping trade and was abolished in 1974.

However, a persistent slump hit the shipping business in later years and the resultant decline in international competitiveness forced the government to revive the system.

In fiscal 1979, 714 million yen was appropriated for the system especially to offset interest which shipping companies owed to banks. The ministry subsidizes, for instance, 2.5 percent of the interest when building a new tanker.

Citing a tanker, as an example, they said, higher fuel prices triggered by Iran's upheavals brought about relative stability in shipping supply and demand.

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Shipping companies have ordered their tanker captains to reduce speed to save fuel, consequently, they must have more ships to fill the falling transportation capacity.

The shipbuilding boom was evident in June when construction orders were eight times as high as those registered in June 1978.

Encouraged by the figures, the Transport Ministry intends to ask the Finance Ministry to allot more money to the system to ensure the recovery of the business.

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SCIENCE AND TECHNOLOGY

INDUSTRY GEARING UP FOR SMALL-CAR WAR WITH U.S.

Tokyo ASAHI EVENING NEWS in English 20 Aug 79 p 5

[Text]

TOKYO (AP)—Japan is on a collision course with the United States over sales of small cars in the 1980s, a leading Japanese car manufacturer says.

The Japanese auto industry is gearing up for a "car war" to meet public demand for lighter, roomier and fuel efficient models, said Nissan Motor Co. spokesman Yuki-hito Eguchi.

He said Japanese automakers see themselves locked in a costly battle over technology with the Americans brought about by the need to produce a revolutionary car engine in these days of gas shortages and need for energy conservation.

"We're on a direct collision course with the United States. It is generally envisioned we will have a war with the Americans over small car sales," he said in an interview.

Despite Japan's lower export performance last year with 4.13 million cars, trucks and buses going overseas, more than two million passenger cars alone went to the United States, Japan's biggest and most important market abroad.

Exports registered a 5.5 percent drop over the year but in monetary terms they were worth a record \$17.8 billion, up 20.4 percent from a year earlier.

But industry officials believe the boom is only tem-

porary, pointing to the worldwide fuel situation and the demand for smaller, compact cars.

The Japanese also feel under pressure, he said, because of the revaluation of the yen against the dollar, hurting Japan's price advantage and strong competitive edge.

"Price is no longer a major factor in selling cars," Eguchi said. "We are now competing on advanced technology, fuel economy and the wide use of electronics."

Fuel-saving compacts made in Japan have been selling so well in the United States that stocks are at a record low with less than two and a half months' supply left, the Japan Automobile Manufacturers Association (JAMA) said.

JAMA also said the rush now is on to get fresh shipments off the assembly lines and into the American market as the drive on both sides of the Pacific to develop a revolutionary engine gathers momentum.

Japanese automakers reportedly are particularly wary of possible moves by Ford to take drastic action to improve its position in the small car market.

Ford is said to be lagging behind its rivals in developing new types of small cars, a factor that is believed to have been behind the American firm's tie-up earlier this year

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with Toyo Kogyo, Japan's third-biggest automaker.

Despite the Japanese car industry's fears, the major American car makers are also seeking to cultivate their markets in Japan and maintain tie-ups over here — General Motors with Isuzu Ltd., Ford with Toyo Kogyo and Chrysler with Mitsubishi Motors Corp.

Thus, any restrictions on U.S. automobile imports would not necessarily be in the best interests of American automakers, officials here said.

The big Japanese car manufacturers, who compete fiercely among themselves for a slice of the American market, all agree they can't compete with American giants when it comes to spending money on technological innovations and others types of research.

"Financially, we are incomparable to GM. In terms of

funds we can't compete with the Americans," Eguchi said.

At Nissan's research laboratories, he said engineers are working around the clock "exploring every possible avenue" to come up with a revolutionary car engine.

"We're looking at everything—gasohol, gas turbines, electric cars, you name it," Eguchi said, adding that his company is ready to launch a whole new range of cars on the American market under the Datsun brand name.

He declined to spell out details but said the cars will be marketed under the "FF" concept (front engine, front-wheel drive), and will be light and full-efficient.

The Honda Motor Co. earlier announced it is working on a whole new range of engines that will run on gasohol: 90 percent petroleum and 10 percent alcohol.

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SCIENCE AND TECHNOLOGY

NEW AIR CONDITIONER 40 PERCENT MORE EFFECTIVE

Tokyo MAINICHI DAILY NEWS in English 10 Aug 79 p 5

[Text]

An innovational type of home air conditioner, far more effective, yet consuming far less electricity than any conventional model will be developed jointly soon by Kansai Electric Power Co., of Osaka, and Hitachi, Ltd., of Tokyo, it was announced Thursday.

Kansai Electric Power Co. said the development of the new home air conditioner in response to modern energy-saving demand is already a foregone conclusion.

The research staff of Hitachi, one of Japan's top electronic equipment makers, will produce a new small super-efficiency motor to be installed in the proposed air conditioner.

Kansai Electric Power said it has signed a three-year contract with Hitachi to develop, on a commercial basis, the proposed heat pump-type air conditioner applicable to both

cooling and heating purposes.

Kansai Electric Power will provide its electric power saving knowhow.

The motor will be an extremely miniaturized version of the "thyristor chopper" type of no-stage, self-revolution regulating motor previously produced as a huge device for limited uses, such as aboard subway trains.

The prospective air conditioner, scheduled to be marketed by 1981 at about the same price as the average conventional type, will feature automatic regulation.

It will be at least 40 percent more effective in cooling or heating than conventional types.

It will also save so much electricity that the power company can expect an average of 30 percent reduction in demand for power during the hottest summer season.

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SCIENCE AND TECHNOLOGY

CYLINDRICAL SOLAR HEATER DEVELOPED

Tokyo MAINICHI DAILY NEWS in English 15 Aug 79 p 5

[Text] A cylindrical solar water heater has been developed for use in the veranda and garden as well as on the roof.

The device was developed by Hideo Fukuda, professor of Meiji University's faculty of engineering.

The heater, claimed to be superior in thermal insulation to a conventional solar panel water heater, is expected to come onto the market at a price of about 200,000 yen next April.

The new heater consists of two cylinders—the outer cylinder measuring one meter in diameter and 1.5 meters high enveloping the inner one 60 centimeters in diameter and 1.2 meters high.

The cylinders are made of semitransparent fiber-reinforced plastic, which is as pervious to sunlight as glass but more effective in containing heat.

The inside cylindrical tank, which can contain about 300 liters of water, is coiled round with a four-centimeter-thick brass pipe.

When water filling the inside cylinder and pipe is warmed by sunlight that runs through the outer cylinder, the water in the pipe will circulate by convection raising the temperature of the whole water in the inner cylinder and pipe.

The cylindrical heater is useful anywhere in the sun, because it can absorb sunlight from all directions.

While the temperature of water in a panel heater will peak up to 60 to 70 degrees in centigrade around 2 p.m. in the summer, that of the cylindrical heater will rise up to 60 degrees centigrade around 4 p.m.

The water temperature in the cylindrical heater will not drop below 40 degrees centigrade until 6 a.m. the next morning.

The heater can be used as a room heater in winter as it can keep the water temperature 20 degrees centigrade higher than the outside temperature during the daytime.

The heater will last a decade for a family of five or six, according to Fukuda.

He said if 3.3 million cylindrical heaters are set up across the country while schools and buildings are solar-housed by 1985, they would save oil consumption by 1 percent in that year and by nearly 10 percent in the year 2000.

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